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UNCLAS SECTION 01 OF 02 ROME 001835

SIPDIS

SENSITIVE

E.O. 12958: N/A

TAGS: [PREL](#) [PGOV](#) [IT](#) [ITALIAN POLITICS](#)

SUBJECT: PM BERLUSCONI'S FORMER LAWYER CONVICTED OF BRIBING JUDGES

REF: REF 0355

SENSITIVE BUT UNCLASSIFIED

1. (SBU) SUMMARY. FORMER BERLUSCONI LAWYER CESARE PREVITI WAS CONVICTED ON APRIL 29 OF BRIBING JUDGES IN TWO CORPORATE TAKEOVER BATTLES. HE WILL APPEAL THE SENTENCE. THE VERDICT IS EMBARRASSING FOR THE PM BECAUSE OF PREVITI'S LONG-STANDING ASSOCIATION WITH BERLUSCONI, BUT WILL NOT SHAKE THE GOVERNMENT'S STABILITY. MORE SERIOUS IS AN ONGOING TRIAL THAT DIRECTLY INVOLVES BERLUSCONI, WHO HAS BEEN ACCUSED OF HAVING FUNNELED MONEY TO A JUDGE TO INFLUENCE HIS DECISION ON ANOTHER CORPORATE TAKEOVER MATTER. THE VERDICT COULD BE ISSUED IN JULY WHEN ITALY WILL HOLD THE ROTATING EU PRESIDENCY. END SUMMARY.

2. FORMER DEFENSE MINISTER CESARE PREVITI, FORZA ITALIA PARLIAMENTARIAN AS WELL AS ONE OF PM SILVIO BERLUSCONI'S FORMER LAWYERS, WAS CONVICTED ON APRIL 29 IN A MILAN COURT FOR HAVING BRIBED JUDGES. HE WAS SENTENCED TO 11 YEARS IN PRISON. PREVITI SAID HE WOULD APPEAL THE SENTENCE, WHICH STEMS FROM HIS INVOLVEMENT IN TWO LONG-RUNNING TRIALS*DUBBED IMI-SIR AND LODO (AWARD) MONDADORI. LAST JANUARY, THE MILAN TRIBUNAL DECIDED TO COMBINE THE TWO INTO A SINGLE TRIAL AS MANY OF THE ACCUSED WERE INVOLVED IN BOTH.

3. IN THE IMI-SIR CASE, PREVITI WAS CHARGED WITH THE CRIME OF CORRUPTING (THROUGH BRIBERY) JUDGES TO FIX A COURT RULING IN FAVOR OF THE ROVELLI FAMILY. THE ROVELLIS WERE DISPUTING THE TERMS OF A TAKEOVER BY THE PUBLICLY-OWNED ITALIAN REAL ESTATE INSTITUTE (IMI) OF THEIR FIRM, THE ITALIAN RESIN COMPANY (SIR). ACCORDING TO THE PROSECUTION, PREVITI AND TWO OTHER LAWYERS RECEIVED THE EQUIVALENT OF EUROS 33 MILLION IN THE EARLY 1990S FROM OILMAN NINO ROVELLI'S HEIRS IN ORDER TO BRIBE THREE JUDGES, WHO AWARDED THE HEIRS A LUCRATIVE SETTLEMENT.

4. IN THE SECOND CASE, PREVITI WAS CHARGED WITH BRIBING A JUDGE IN 1991 SO THAT PM BERLUSCONI'S FININVEST HOLDING COMPANY COULD WIN CONTROL OF MONDADORI, ITALY'S LARGEST PUBLISHING COMPANY. AT THE TIME, PREVITI WAS WORKING AS A LAWYER FOR BERLUSCONI. THE OWNER OF MONDADORI HAD AGREED TO SELL THE FIRM TO INDUSTRIALIST, PUBLISHER, AND BERLUSCONI RIVAL CARLO DE BENEDETTI UNTIL FININVEST STEPPED IN WITH A BETTER OFFER. DE BENEDETTI SUED IN COURT FOR BREACH OF CONTRACT, BUT THE DECIDING JUDGE--ACCUSED LATER OF ACCEPTING A BRIBE--RULED IN FAVOR OF FININVEST. BERLUSCONI IN 1997 WAS ALSO INDICTED FOR CORRUPTION IN THE MONDADORI CASE, BUT THE STATUTE OF LIMITATIONS FOR HIS ALLEGED LESSER CRIME RAN OUT DURING THE COURSE OF THE TRIAL.

5. (SBU) THE APRIL 29 VERDICT, ALTHOUGH EMBARRASSING FOR BERLUSCONI DUE TO HIS CLOSE AFFILIATION WITH PREVITI, WILL HAVE NO DIRECT IMPACT ON THE GOI'S STABILITY. BERLUSCONI, WHO HAS BEEN OUTSPOKEN IN HIS CRITICISM OF THE RULING MILAN COURT FOR ITS ALLEGED POLITICIZATION, IMMEDIATELY ISSUED A COMMUNIQUE EXPRESSING HIS PERSONAL SOLIDARITY AND THAT OF HIS PARTY, FORZA ITALIA, WITH PREVITI. HE SAID THE VERDICT CONFIRMED HIS SUSPICIONS OF A &POLITICAL PROSECUTION.8 THE CENTER-LEFT OPPOSITION, WHICH MIGHT HAVE BEEN EXPECTED TO UNLEASH A BARRAGE OF CRITICISM AT THE PM IN THE WAKE OF THE VERDICT, HAS INSTEAD DECIDED TO TAKE A LOW KEY APPROACH. IT IS PROBABLY CALCULATING THAT THE PRESS HAS DONE A SUFFICIENT JOB OF DRAWING OUT THE PREVITI-BERLUSCONI CONNECTION FOR THE PUBLIC. MOREOVER, THE DEEPLY DIVIDED AND LEADERLESS OPPOSITION HAS NO INTEREST IN PROVOKING A GOVERNMENT CRISIS THAT COULD POTENTIALLY LEAD TO NEW ELECTIONS.

6. (SBU) BERLUSCONI, WE WANT TO UNDERSCORE, IS NOT OUT OF THE JUDICIAL WOODS. HE IS ON TRIAL IN YET ANOTHER JUDGE BRIBERY CASE FOR ALLEGEDLY DELIVERING CASH PAYMENTS IN ORDER TO INFLUENCE A RULING ON THE PRIVATIZATION OF A FORMERLY STATE-OWNED FOOD CONGLOMERATE (SME). DE BENEDETTI, ALSO A PROTAGONIST IN THE SME CASE, HAD IN 1985 BEEN GIVEN THE RIGHTS TO PURCHASE THE COMPANY. HOWEVER, FORMER PREMIER BETTINO CRAXI--WHO HAD CLOSE TIES TO BERLUSCONI--INTERVENED TO BLOCK THE SALE IN FAVOR OF A RIVAL FININVEST BID. DE BENEDETTI RESORTED TO THE COURTS, BUT LOST, AND BRIBERY CHARGES WERE SUBSEQUENTLY BROUGHT AGAINST BERLUSCONI BY INVESTIGATING MAGISTRATES. BERLUSCONI MAY MAKE A STATEMENT IN MILAN AT THE SME TRIAL ON MAY 2.

17. (SBU) PRESS REPORTS INDICATE THAT A RULING IN THE SME CASE COULD BE HANDED DOWN IN JULY, JUST AS ITALY IS BEGINNING ITS SIX-MONTH EU PRESIDENCY TERM. ITALIAN MAGISTRATES CLAIM THAT THEIR RULINGS ARE COMPLETELY DEVOID OF POLITICS, AND THE OVERWHELMING MAJORITY OF THEM MAY WELL BE. HOWEVER, THERE IS A CURIOUS HISTORY OF RENDERING DECISIONS THAT AFFECT BERLUSCONI AT MOMENTS THAT ARE PARTICULARLY INOPPORTUNE FOR HIM. SEPTTEL WILL ANALYZE THE POLITICAL IMPLICATIONS OF A CONVICTION AND EFFORTS BY THE GOI TO AMELIORATE THE

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